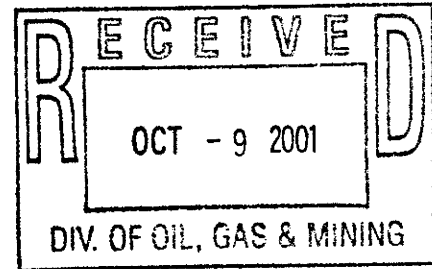


m/23/007

NORTH LILY MINING COMPANY  
PHONE: 303-294-0427  
FAX: 303-293-2235

**FAX TRANSMITTAL**

FROM: S. FLECHNER/W. WEBB  
TO: D. WAYNE HEDBERG  
FAX: 801-359-3940  
PAGES: 6  
DATE: 8 OCTOBER 2001



AS DISCUSSED, ATTACHED FOR YOUR CONVENIENCE IS A COPY OF OUR NEWS RELEASE CONCERNING THE COMPANY FILING FOR RELIEF AND REORGANIZATION UNDER CHAPTER 11 OF THE BANKRUPTCY CODE.

WE DO NOT EXPECT THIS TO AFFECT OUR SILVER CITY OBLIGATIONS OR PERFORMANCE, WHICH WE HAVE AGREED TO HAVE CONTINUED BY JBR ENVIRONMENTAL CONSULTANTS. WE WILL BE WRITING TO YOU AND YOUR COUNSEL SHORTLY IN THIS REGARD IN ORDER TO TRANSFER NLMC'S INTEREST IN THE REMAINING RECLAMATION BOND TO JBR.

MEANWHILE, IN LIGHT OF THE JUNE 30, 2001 EFFECTIVELY COMPLETED STATUS OF THE SILVER CITY RECLAMATION AND CLOSURE, THIS IS TO RESPECTFULLY REQUEST CONSIDERATION FOR ELIMINATION OR SUBSTANTIAL REDUCTION OF THE PERMIT FEE FOR JULY 2001 TO JUNE 2002 (PER YOUR NOTICE ATTACHED).

IN ADDITION, THIS IS TO INQUIRE ABOUT THE AVAILABILITY OF A "CLOSURE" LETTER CONCERNING DOGM'S PROCEEDINGS AND STIPULATION WITH THE COMPANY. ATTACHED FOR YOUR CONVENIENCE IS A COPY OF THE "CLOSURE" LETTER FROM DWQ.

OUR THANKS AGAIN TO EVERYONE INVOLVED AT DOGM IN THE TEAM EFFORT THAT ACCOMPLISHED THE SUCCESSFUL RECLAMATION AT SILVER CITY.

SINCERELY,

  
STEPHEN E. FLECHNER,  
PRESIDENT

  
W. GENE WEBB  
EXECUTIVE VICE PRESIDENT

CC: ROBERT BAYER, JBR ENVIRONMENTAL CONSULTANTS

**NORTH LILY MINING COMPANY***Suite 210**1800 Glenarm Place**Denver, CO 80202**Tel: 303.294.0427**Fax: 303.295.2233***NORTH LILY FILES FOR REORGANIZATION**

17 SEPTEMBER 2001 (DENVER, COLORADO). NORTH LILY MINING COMPANY (OTC SYMBOL: NLMC) HAS FILED FOR RELIEF UNDER CHAPTER 11 IN THE UNITED STATES BANKRUPTCY COURT FOR THE DISTRICT OF COLORADO. IN PURSUIT OF ITS PLANNED REORGANIZATION, NORTH LILY HAS SIGNED A LETTER AGREEMENT WITH A LENDER INTERESTED IN MARKETING AND PROVIDING FINANCING FOR NORTH LILY'S APPROXIMATE 7000 ACRES OF RURAL UTAH PROPERTIES (SOME OF WHICH ARE SUBJECT TO MORTGAGE DEFAULTS). THE LETTER AGREEMENT IS SUBJECT TO SATISFACTORY COMPLETION OF LENDER'S DUE DILIGENCE AND COURT APPROVAL.

THE COMPANY HAS CEASED PURSUIT OF THE PLANNED MERGER AND FINANCE ARRANGEMENTS WITH CAPTAINS MANAGEMENT INC. (CENTRALLY CONTROLLED INTERACTIVE KIOSKS), AND WITH RIVERDALE FINANCIAL/TELECONTROL SYSTEMS INC (INSTALLMENT CONTRACTS FOR CENTRALLY CONTROLLED GUARDLESS SECURITY MONITORING). NORTH LILY HAS BEEN DAMAGED BY ITS INVESTMENTS IN AND RELIANCE UPON THESE PROJECTS AND PARTIES RELATED TO THESE PROJECTS, AND INTENDS TO SEEK RECOVERY FOR NON-PERFORMANCE. NORTH LILY HAS ALSO CEASED PURSUIT OF THE MORTGAGE INTERNET BUSINESS MODEL OBTAINED IN ITS EARLY 2000 ACQUISITION OF LOANMINING.COM AND MORTGAGE PARTNERS HOME FUNDING.

THE COMPANY IS NOW FOCUSED ON SEEKING: 1-AGGRESSIVE MARKETING AND FINANCE OF ITS LAND HOLDINGS IN UTAH; 2-UTILIZATION OF LAND FINANCE AND SALES PROCEEDS FOR CHAPTER 11 REORGANIZATION, INCLUDING CATCH-UP OF AUDITS AND S.E.C. FILINGS; AND 3-THE ACQUISITION OF A BUSINESS OR ASSET TO BE DETERMINED, TOGETHER WITH FINANCING AND A PLAN FOR EMERGENCE OUT OF CHAPTER 11.

FORWARD-LOOKING STATEMENTS: THIS RELEASE CONTAINS FORWARD-LOOKING STATEMENTS THAT ARE NOT HISTORICAL FACTS AND THEREFORE INVOLVE VARIOUS RISKS AND UNCERTAINTIES. THESE COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE PROJECTED OR IMPLIED. THERE CAN FOR INSTANCE BE NO ASSURANCE OF TIMELY ACHIEVEMENT OF FINANCING, LAND SALES, NEW BUSINESS, OR EMERGENCE FROM CHAPTER 11. ALL FORWARD-LOOKING STATEMENTS ARE QUALIFIED BY THIS CAUTIONARY STATEMENT

NLMC CONTACTS: STEVE FLECHNER & GENE WEBB (303-294-0427),



# State of Utah

DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING

Michael O. Leavitt  
Governor

Kathleen Clarke  
Executive Director

Lowell P. Braxton  
Division Director

1594 West North Temple, Suite 1210

PO Box 145801

Salt Lake City, Utah 84114-5801

801-538-5340

801-358-3940 (Fax)

801-538-7223 (TDD)

August 30, 2001

Re: **Second Notice - Delinquent Permit Fees, Minerals Regulatory Program**

Dear Permittee:

*Our records indicate that we have not received your annual permit fee payment(s) for the 2001 fiscal year. The enclosed "Delinquency Notice" is sent as a second reminder that your annual payment is overdue for the listed project(s). Payment was due by July 27, 2001, for the original billing statements sent June 30, 2001. Your annual fee is now 30 days past due. If you have already sent in your payment, please accept our thanks and disregard this notice.*

If you have reclaimed the project site and no longer wish to keep your permit active, you may check the box on the enclosed billing notice requesting a Division site inspection. This will suspend your fee payment until we can perform a site inspection. If our inspection shows that the site is stabilized and meets the 70% pre-mining revegetation success standard, then the project can be released and the case file closed. If the site is not satisfactorily reclaimed, you will be notified accordingly and the annual fee must be received within 30 days of the inspection date.

The annual permit fee(s) must be submitted to keep your permit in effect. All 1998-1999 and 2000 delinquent fee payments have now been turned over to the Utah Office of Debt Collection (ODC) for further action. The ODC assesses subsequent interest, late penalties and a collection fee to the delinquent accounts.

An operator's failure to pay the required annual permit fee may result in permit revocation (cancellation) proceedings before the Board of Oil, Gas and Mining. Cancellation of your permit will not release you from any outstanding reclamation requirements on the project area. We hope to avoid taking any enforcement action with the 2001 year fees payments. Please either submit your payment; check the box, if the site is reclaimed, requesting a site inspection; or contact us immediately to explain the extenuating circumstances for non-payment.

If you have any questions regarding this letter, please contact me at (801) 538-5286 or Joelle Burns at 538-5291. Thank you for your immediate attention to this matter.

Sincerely,

D. Wayne Hedberg  
Permit Supervisor  
Minerals Regulatory Program

jb

c:\fees\delinq-2nd notice-01



# State of Utah

DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING

Michael C. Lawitt  
Governor  
Kathleen Clark  
Executive Director  
Lowell P. Brandon  
Division Director

1594 West North Temple, Suite 1210  
PO Box 145801  
Salt Lake City, Utah 84114-5801  
801-538-5340  
801-538-3940 (Fax)  
801-538-7225 (TDD)

NORTH LILY MINING COMPANY  
1800 GLENARM PLACE #210  
DENVER CO 80202

ATTENTION: GENE WEBB

## DELINQUENCY NOTICE

Annual Permit Fees (July 2000 thru June 2001)

|                                   |                |       |              |
|-----------------------------------|----------------|-------|--------------|
| PROJECT NAME                      | PROJECT ID     | ACRES | BILLING DATE |
| NORTH LILY - TINTIC PROJECT       | M230007        | 25    | 08/27/2001   |
| PERMIT TYPE                       | PROJECT STATUS |       | ANNUAL FEE   |
| LARGE MINING OPERATION < 50 ACRES | INACTIVE       |       | \$ 350       |

|            |            |
|------------|------------|
| DUE DATE   | AMOUNT DUE |
| 09/30/2001 | \$ 350     |

Please see enclosed instructions for payment.

Please retain this portion for your records. For billing information call (801) 538-5291

This portion **MUST** be returned with your payment to ensure proper credit. **THANK YOU**

|  |            |                             |  |            |
|--|------------|-----------------------------|--|------------|
| ACCOUNT BILLED   |            | PROJECT NAME                |  | PROJECT ID |
| NORTH LILY MINING COMPANY  |            | NORTH LILY - TINTIC PROJECT |  | M230007    |
| DUE DATE   | ANNUAL FEE | AMOUNT DUE                  |  |            |
| 09/30/2001   | \$ 350     | \$ 350                      |  |            |
| TAX ID OR SOCIAL SECURITY #  |            |                             |  |            |
| <input type="checkbox"/> <b>FEE NOT ENCLOSED</b><br>Permittee requests an inspection to close out this permit.       |            |                             |  |            |
| <b>Change of Address</b><br>Contact _____<br>Address _____<br>_____<br>_____<br>State _____ Zip _____<br>Phone _____ |            |                             |  |            |

DIVISION OF OIL GAS AND MINING  
1594 WEST NORTH TEMPLE SUITE 1210  
PO BOX 145801  
SALT LAKE CITY UT 84114-5801

Please make check payable to:  
**Division of Oil, Gas and Mining**



DEPARTMENT OF ENVIRONMENTAL QUALITY  
DIVISION OF WATER QUALITY

Michael O. Leavitt  
Governor

Dianne R. Nielson, Ph.D.  
Executive Director

Don A. Ostler, P.E.  
Director

288 North 1460 West  
P.O. Box 144870  
Salt Lake City, Utah 84114-4870  
(801) 538-6146  
(801) 538-6016 Fax  
(801) 536-4414 T.D.D.  
[www.deq.state.ut.us](http://www.deq.state.ut.us) Web

Water Quality Board

K.C. Shaw, P.E.  
Chairman

William R. Williams  
Vice Chairman

Robert G. Adams  
Nan Bunker

Ray M. Child, C.P.A.

John R. Cushing, Mayor

Neil K. Kochenour, M.D.

Dianne R. Nielson, Ph.D.

Ronald C. Sims, Ph.D.

Douglas E. Thompson, Mayor

J. Ann Wechsler

Don A. Ostler, P.E.  
Executive Secretary

August 15, 2001

Mr. Stephen Flechner, President  
North Lily Mining Company  
1800 Glenarm Place, Suite 210  
Denver, CO 80202

Dear Mr. Flechner:

RE: Closure of Notice of Violations, Docket Nos. UGW2003 and UGW20-04, For Failure to Maintain Discharge Minimization Technology

Review of our records indicate that North Lily Mining Company (North Lily) has satisfied all requirements, obligations and activities specified under the Notice of Violations (NOV), Docket Nos. UGW2003 and UGW20-04 that were issued by the Water Quality Board for failure to Maintain Discharge Minimization Technology (DMT).

Consequently, the NOVs addressing failure of DMT are hereby considered closed based on the following conditions:

1. Post closure monitoring of heap leach drain-down fluid must be conducted according to the provisions of the ground water discharge amended permit to demonstrate that concentrations of constituents will have *de minimis* impact to the surrounding ground water quality.
2. Flow rate for drain-down fluid must be measured according to the provision of the ground water discharge amended permit to demonstrate volume of drain-down fluid remains at the design limit.
3. The constructed absorption drain-down field must be operated and maintained according to the approved construction permit.

It is North Lily's responsibility to notify DWQ if drain-down fluid volume or/and concentration of constituent exceed the design limit, so that the situation can be re-evaluated. No further action will be

August 15, 2001

Page 2

required unless additional information discloses a ground water problem at this site originating from the heap leach facility and post closure activities. Your company remains liable for any environmental damage associated with the heap leach facility and post-closure activities.

If you have any questions, please call Beth Wondimu of this office at (801) 538-6084.

Sincerely,

UTAH WATER QUALITY BOARD



Don A. Ostler, P.E.  
Executive Secretary

DO:DAF:BAW:bjr

cc: Wayne Hedberg, DOGM

U:\WQ\PERMITS\WONDIMU\wp\NOLLY\nov-closure.wpd